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ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT NO. 2

Annual Financial Report

**As of and for the Year Ended
December 31, 2005**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7/5/06

KEITH J. ROVIRA
Certified Public Accountant

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**ST. TAMMANY PARISH MOSQUITO
ABATEMENT DISTRICT NO. 2
Slidell, Louisiana**

**Component Unit Financial Statements
and Independent Auditor's Report
As of and for the Year Ended
December 31, 2005**

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners of the
St. Tammany Parish Mosquito Abatement District No. 2
A Component Unit of the St. Tammany Parish Council
Slidell, Louisiana

I have audited the accompanying basic financial statements of the St. Tammany Parish Mosquito Abatement District No. 2, a component unit of the St. Tammany Parish Council, as of and for the year ended December 31, 2005, which collectively comprise the district's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the management of the St. Tammany Mosquito Abatement District No. 2. My responsibility is to express an opinion on these basic financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

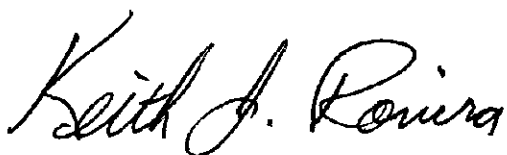
In my opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the St. Tammany Parish Mosquito Abatement District No. 2 as of December 31, 2005, and the results of operations for the year then

ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued a report dated April 21, 2006, on my consideration of the St. Tammany Parish Mosquito Abatement District No. 2's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

The management's discussion and analysis and budgetary comparison information as listed in the table of contents are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information, and express no opinion on it.

My audit was prepared for the purpose of forming opinions on the financial statements that collectively comprise the district's basic financial statements. The supplementary information schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the St. Tammany Parish Mosquito Abatement District No. 2. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in my opinion is fairly stated in all material respects, in relation to the basic financial statements taken as whole.



Keith J. Rovira
Certified Public Accountant

April 21, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT NO. 2
Slidell, Louisiana
Management's Discussion and Analysis
As of and for the year ended December 31, 2005

The Management's Discussion and Analysis (MD&A) of the St. Tammany Parish Mosquito Abatement District No. 2's financial performance presents a narrative overview and analysis of the district's financial activities for the year ended December 31, 2005. This document focuses on the current year's activities, resulting changes, and currently known facts. Please read this document in conjunction with the additional information contained in the basic financial statements. The MD&A is an element of the new reporting model adopted by the Government Accounting Standards Board (GASB) in their Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" issued June, 1999. Certain comparative information between the current year and prior year has been presented in the MD&A.

FINANCIAL HIGHLIGHTS

The minimum requirements for financial reporting on the St. Tammany Parish Mosquito Abatement District No. 2's office that was established by GASB No. 34 are divided into the following sections:

- (a) Management's Discussion and Analysis
- (b) Basic Financial Statements
- (c) Required Supplementary Information (other than MD&A)

Basic Financial Statements:

The basic financial statements present information for the district as a whole, in a format designed to make the statements easier for the reader to understand. The financial statements in this section are divided into the two following types:

(1) Government-Wide Financial Statements, which include a Statement of Net Assets and a Statement of Activities. These statements present financial information for all activities of the district from an economic resources measurement focus using the accrual basis of accounting and providing both short-term and long-term information about the district's overall financial status.

(2) Fund Financial Statements, which include a Balance Sheet and a Statement of Revenues, Expenses, and Changes in Fund Balance for

ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT NO. 2
Slidell, Louisiana
Management's Discussion and Analysis
As of and for the year ended December 31, 2005

the General Fund (a governmental fund). These financial statements present information on the individual fund of the district allowing for more detail. The current financial resources measurement focus and the accrual basis of accounting used to prepare these statements is dependent on the fund type. The district's only governmental fund is the General Fund. The statements in this section represent the short-term financing of general government.

FINANCIAL ANALYSIS OF THE ENTITY

Statement of Net Assets
As of December 31, 2005 and 2004

| | <u>2005</u> | <u>2004</u> |
|--|---------------------|--------------------|
| Current and other assets | \$10,035,749 | \$9,135,029 |
| Capital assets | <u>895,147</u> | <u>844,865</u> |
| Total Assets | <u>10,930,896</u> | <u>9,979,894</u> |
| Current liabilities | 184,457 | 199,013 |
| Long-term liabilities | <u>32,140</u> | <u>25,201</u> |
| Total Liabilities | <u>216,597</u> | <u>224,214</u> |
| Net Assets: | | |
| Invested in capital assets, net of debt | 895,147 | 844,865 |
| Restricted | - | - |
| Unrestricted | <u>9,819,152</u> | <u>8,910,815</u> |
| Total Net Assets | <u>\$10,714,299</u> | <u>\$9,755,680</u> |

The district does not have any "restricted" net assets. It does have "unrestricted" net assets, and those are net assets that do not have any limitations on what these amounts may be used for.

Net assets of the district increased by \$958,619 or 9.8%, from December 31, 2004 to December 31, 2005. This increase is due to increases in ad valorem tax revenue, insurance payments received for Hurricane Katrina damages and interest earnings.

ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT NO. 2
Slidell, Louisiana
Management's Discussion and Analysis
As of and for the year ended December 31, 2005

Statement of Revenues, Expenditures and
Changes in Fund Balance
For the years ended December 31, 2005 and 2004

| | <u>2005</u> | <u>2004</u> |
|----------------------------|------------------|--------------------|
| Revenues | \$5,397,796 | \$5,037,285 |
| Expenditures | <u>4,489,459</u> | <u>3,750,472</u> |
| Net Change in Fund Balance | <u>\$908,337</u> | <u>\$1,286,813</u> |

The district's total revenues increased by \$360,511, or 7.2%, which was principally due to the increase in ad valorem taxes, insurance payments received and interest earned. It's total expenditures increased by \$738,987 or 19.7%, which was due to increases in chemicals, insurance, retirement contributions, capital outlay due to Hurricane Katrina damages and labor costs.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets:

The district had \$1,899,408 invested in a broad range of capital assets, including buildings and improvements, machinery and equipment, aircraft and related equipment, office furniture and equipment and vehicles as of December 31, 2005. This amount represents the original cost of the capital assets, and reflects a net decrease (including additions and deductions) of \$175,385. The table below lists capital assets by type, net of accumulated depreciation:

Capital Assets (cost less accumulated depreciation):

| | |
|--------------------------------|------------------|
| Buildings and improvements | \$190,403 |
| Machinery and equipment | 1,709 |
| Aircraft and related equipment | 376,800 |
| Office furniture and equipment | 9,415 |
| Vehicles | <u>316,820</u> |
| Total | <u>\$895,147</u> |

ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT NO. 2
Slidell, Louisiana
Management's Discussion and Analysis
As of and for the year ended December 31, 2005

Debt:

The district had no debt outstanding at year end. However, the district had long term liabilities totaling \$32,140 all of which was accrued annual leave outstanding at year end.

VARIATIONS BETWEEN ORIGINAL AND FINAL BUDGETS

Revenues/receipts were \$256,359 more than the final budget amount. Expenditures/disbursements were \$537,507 less than the budgeted. Please refer to the Budgetary Comparison Schedule - General Fund found in the Required Supplementary Information (RSI) section of this audit report for a more detailed analysis of these differences.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The district considered the following factors and indicators when setting up next year's budget. These factors and indicators include: (1) all costs associated with fighting and detecting the West Nile Virus in St. Tammany parish, especially increased chemical and labor costs; (2) ad valorem tax revenue; (3) expanded spraying areas for the district in its fight against mosquito existence and breeding; the mosquito district coverage area includes the entire parish; (4) the effects of damages done by Hurricane Katrina along with the costs associated with the building of new administrative, warehouse and garage facilities at the airport in Slidell; (5) other operating costs of the office in the process of providing services to the public. Baring any unforeseen events, the district currently expects that next year's revenues will be sufficient to cover its expenses.

CONTACTING THE MOSQUITO DISTRICT

This financial report is designed to provide the citizens, taxpayers, investors and creditors with a general overview of the district's finances, and to show the district's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact Mr. Charles Palmisano, Director of the mosquito district at 2800-A Terrace Avenue, Slidell, LA or by telephone, 985-643-5050.

BASIC FINANCIAL STATEMENTS
(GOVERNMENT-WIDE FINANCIAL STATEMENTS)

ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT NO. 2
 Slidell, Louisiana
 Statement of Net Assets
 December 31, 2005

ASSETSCurrent Assets:

| | |
|------------------------------------|-------------------|
| Cash and cash equivalents (Note C) | \$ 275,039 |
| Investments (Note D) | 4,155,546 |
| Revenue receivables (Note E) | 4,766,671 |
| Inventory (Note A.6) | 763,468 |
| Prepaid insurance (Note A.7) | <u>75,025</u> |
| Total Current Assets | <u>10,035,749</u> |

Noncurrent Assets:

| | |
|---|-------------------|
| Capital assets (net of depreciation) (Note F) | <u>895,147</u> |
| Total Noncurrent Assets | <u>895,147</u> |
| TOTAL ASSETS | <u>10,930,896</u> |

LIABILITIESCurrent Liabilities:

| | |
|-----------------------------------|----------------|
| Accounts payable | 31,508 |
| Ad valorem tax deductions payable | <u>152,949</u> |
| Total Current Liabilities | <u>184,457</u> |

Noncurrent Liabilities:

| | |
|---|----------------|
| Accrued annual leave payable (Note A.9 & H) | <u>32,140</u> |
| Total Noncurrent Liabilities | <u>32,140</u> |
| TOTAL LIABILITIES | <u>216,597</u> |

NET ASSETS

| | |
|---|---------------------|
| Invested in capital assets, net of related debt | 895,147 |
| Unrestricted | <u>9,819,152</u> |
| TOTAL NET ASSETS | <u>\$10,714,299</u> |

The accompanying notes are an integral part of this statement.

ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT NO. 2
Slidell, Louisiana
Statement of Activities
For the Year Ended December 31, 2005

EXPENSES

| | |
|--|------------------|
| Governmental Activities - Public health and safety: | |
| Personal services and related benefits | \$1,331,166 |
| Material and services | 2,801,251 |
| Depreciation | 153,811 |
| Deductions from ad valorem taxes for retirement system | <u>152,949</u> |
| Total Expenses | <u>4,439,177</u> |

GENERAL REVENUES

| | |
|--------------------------------------|---------------------|
| Ad valorem taxes (net) | 4,742,896 |
| State revenue sharing | 199,393 |
| Interest earnings | 185,122 |
| Insurance payments received (Note M) | 174,681 |
| Other revenues | <u>95,704</u> |
| Total General Revenues | <u>5,397,796</u> |
| Change in Net Assets | 958,619 |
| Net Assets at Beginning of Year | <u>9,755,680</u> |
| Net Assets at End of Year | <u>\$10,714,299</u> |

The accompanying notes are an integral part of this statement.

BASIC FINANCIAL STATEMENTS
(FUND FINANCIAL STATEMENTS)

ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT NO. 2

Slidell, Louisiana

Balance Sheet

General Fund - Governmental Fund

December 31, 2005

ASSETS

| | |
|---------------------------|----------------------------|
| Cash and cash equivalents | \$ 275,039 |
| Investments | 4,155,546 |
| Revenue receivables | 4,766,671 |
| Inventory | 763,468 |
| Prepaid insurance | <u>75,025</u> |
| TOTAL ASSETS | <u>\$10,035,749</u> |

LIABILITIES AND FUND BALANCE**Liabilities:**

| | |
|-----------------------------------|-----------------------|
| Accounts payable | \$ 31,508 |
| Accrued annual leave | 32,140 |
| Ad valorem tax deductions payable | <u>152,949</u> |
| Total Liabilities | <u>216,597</u> |

Fund balance:

| | |
|---|----------------------------|
| Unreserved-undesignated | <u>9,819,152</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$10,035,749</u> |

The accompanying notes are an integral part of this statement.

ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT NO. 2
Slidell, Louisiana
Reconciliation of the Governmental Fund Balance Sheet
to the Statement of Net Assets
December 31, 2005

Total Fund Balance - Governmental Fund \$9,819,152

Amounts reported for governmental activities
in the Statement of Net Assets are different
because:

Capital assets used in governmental
activities are not current financial
resources and, therefore, are not
reported in the Governmental Funds
Balance Sheet

895,147

Total Net Assets of Governmental Activities \$10,714,299

The accompanying notes are an integral part of this statement.

ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT NO. 2

Slidell, Louisiana

**Statement of Revenues, Expenditures
and Changes in Fund Balances**

**General Fund - Governmental Fund
For the Year Ended December 31, 2005**

REVENUES

| | |
|-----------------------------|----------------------|
| Ad valorem taxes (net) | \$4,742,896 |
| State revenue sharing | 199,393 |
| Interest earnings | 185,122 |
| Insurance payments received | 174,681 |
| Other revenues | <u>95,704</u> |
| Total Revenues | <u>5,397,796</u> |

EXPENDITURES

| | |
|---|------------------------|
| Salaries and related expenditures | 1,070,811 |
| Employer's retirement contributions | 136,873 |
| Other employee benefits | 123,482 |
| Insurance | 458,714 |
| Materials and supplies: | |
| Chemicals | 1,653,186 |
| Field and laboratory | 63,092 |
| Office | 19,591 |
| Public information | 5,841 |
| Utilities and telephone | 21,998 |
| Repairs and maintenance | 152,494 |
| Travel | 21,819 |
| Gas, oil and grease | 113,992 |
| Professional services | 52,685 |
| Capital outlay | 441,932 |
| Deductions from ad valorem taxes for retirement system | <u>152,949</u> |
| Total Expenditures | <u>4,489,459</u> |
| Net Change in Fund Balance | 908,337 |
| Fund Balance at Beginning of Year | <u>8,910,815</u> |
| Fund Balance at End of Year | <u>\$9,819,152</u> |

The accompanying notes are an integral part of this statement.

ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT NO. 2
Slidell, Louisiana
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balance
to the Statement of Activities
For the Year Ended December 31, 2005

| | |
|---|-----------|
| Net Change in Fund Balance - Governmental Funds | \$908,337 |
|---|-----------|

Amounts reported for governmental activities
in the Statement of Activities are different
because:

Governmental funds report capital outlays as
expenditures. However, in the Statement of
Activities, the cost of those assets is
allocated over their estimated useful lives
as depreciation expense. This is the amount
by which depreciation charged exceeded capital
outlay in the current period.

| |
|---------------|
| <u>50,282</u> |
|---------------|

| |
|---|
| Change in Net Assets of Governmental Activities |
|---|

| |
|------------------|
| <u>\$958,619</u> |
|------------------|

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT NO. 2
Slidell, Louisiana
Notes to the Financial Statements
December 31, 2005

INTRODUCTION

The St. Tammany Parish Mosquito Abatement District No. 2 was created by the St. Tammany Parish Council as provided by Louisiana Revised Statute 33:7721-7728. The district is governed by a board of five commissioners who are appointed by the St. Tammany Parish Council. These members are authorized to operate facilities for the abatement, control, eradication and study of mosquitos and other arthropods of public health importance, and all activities incidental thereto. As a result of the October 16, 1993 referendum, taxpayers of Wards 3, 4, 7 and a portion of 2 elected to be included in the service area of the district beginning on January 1, 1994. As a result of the October, 2001 referendum, taxpayers of Wards 5, 6, 10 and the remaining portion of 2 elected to be included in the service area of the district beginning on January 1, 2002. Therefore, the district now services all of St. Tammany Parish. Board members serve without compensation.

To fulfill these responsibilities, the mosquito abatement district has established procedures for collecting and analyzing mosquito population data and determining the most appropriate control methods. The district uses only environmentally sound and scientifically proven methods supported by professional entomologists nationwide. The mosquito abatement district has also developed special programs, including the disease vector surveillance program designed to detect the presence of encephalitis and dengue fever viral activity and insecticide resistance studies. In addition, the district also performs tests for the presence of West Nile Virus in the parish.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Presentation

The accompanying basic financial statements of the St. Tammany Parish Mosquito Abatement District No. 2 have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT NO. 2
Slidell, Louisiana
Notes to the Financial Statements
December 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The St. Tammany Parish Mosquito Abatement District No. 2 has adopted the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. In this regard, the district will be treated as a governmental-type activity for financial reporting purposes in this audit. The minimum requirements for the mosquito district established by GASB Statement No. 34 are divided into the following sections: (a) Management's Discussion and Analysis, (b) Basic Financial Statements, and (c) Required Supplementary Information (other than MD&A).

The accompanying financial statements of the St. Tammany Parish Mosquito Abatement District No. 2 present information only as to the transactions of the programs of the district as authorized by Louisiana statutes and administrative regulations. Basis of accounting refers to when revenues and expenses are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Revenue Recognition

Revenues are recognized using the full accrual basis of accounting; therefore, revenues, including ad valorem taxes, state revenue sharing, intergovernmental revenue, interest and other revenues of the district, are recognized in the accounting period in which they are earned and become measurable.

Ad valorem taxes are assessed on a calendar year basis, become due on November 15 of each year, and become delinquent on December 31. They are recognized as revenue in the year the taxes are assessed.

Expense Recognition

Expenses are also recognized on the accrual basis; therefore, expenses, including salaries, operating services and expenses, materials and services, intergovernmental expenses, etc. are recognized in the period incurred, if measurable.

ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT NO. 2
Slidell, Louisiana
Notes to the Financial Statements
December 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Reporting Entity

As the governing authority of the parish, for reporting purposes, the St. Tammany Parish Council is the financial reporting entity for St. Tammany Parish. The financial reporting entity consists of (a) the primary government (St. Tammany Parish Council), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the St. Tammany Parish Council for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. the ability of the council to impose its will on that organization, and/or
 - b. the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the council.
2. Organizations for which the council does not appoint a voting majority, but are fiscally dependent on the council.
3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT NO. 2

Slidell, Louisiana
Notes to the Financial Statements
December 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Even though the district operates independently of the council, the exclusion from the council's financial statements would cause the council's financial statements to be misleading or incomplete. Also, the council's ability to impose its will on the district is indicated by the ability to remove appointed members of the district's board at will. Because of these reasons, the district is determined to be a component unit of the St. Tammany Parish Council.

3. Fund Accounting

The district uses a fund (General Fund) to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

The district's General Fund is classified as a governmental fund. Governmental funds account for general activities, including the collection and disbursement of specific or legally restricted monies and the acquisition of capital assets.

The General Fund, as provided by Louisiana Revised Statute 47:1906, is the only fund of the district and accounts for the operation of the mosquito district. Ad valorem tax revenue authorized by Act 292 of 1985 is accounted for in this fund. General operating expenditures are paid from this fund.

4. Budgets

The St. Tammany Parish Mosquito Abatement District No. 2 adopts an annual budget for the General Fund. Budget practices include public notice of the proposed budget, public inspection of the proposed budget, and public hearings on the budget.

ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT NO. 2
Slidell, Louisiana
Notes to the Financial Statements
December 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A summary of the proposed budget and notice of the planned public hearing was published in the official journal on November 4, 2004. The public hearing on the proposed budget was held on November 17, 2004. The proposed budget was legally adopted by resolution on November 17, 2004.

All appropriations included in the budget lapse at year end, and any accounts payable outstanding at year end are included in the next year's budget with funds appropriated in that year to finance them. Monthly comparisons between budget and actual amounts are made and reviewed by the board of commissioners. The board reserves all authority to amend the budget. The original budget was not amended.

The mosquito abatement district's policy is to prepare its budget using the cash basis of accounting, which recognizes revenues as they are received rather than when they are earned, and expenditures as the cash is disbursed rather than when the expenditure is incurred.

This basis of accounting is consistent with the basis used for record keeping purposes. The accompanying statements present comparisons of the legally adopted budget with actual data on the cash basis. Since accounting principles for purposes of developing data on a cash basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant basis differences in the

ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT NO. 2
Slidell, Louisiana
Notes to the Financial Statements
December 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

excess of revenues (receipts) over expenditures (disbursements) for the year ended December 31, 2005 is presented below:

| | |
|---|-------------|
| Excess of receipts over disbursements (budgetary basis) | \$1,202,139 |
|---|-------------|

Adjustments:

| | |
|---|---------|
| Revenue receivables - | |
| Ad valorem taxes | 73,185 |
| State revenue sharing | 68,373 |
| CDC Flyway project | (9,805) |
| NASA contract | 12,500 |
| Amortization of discount/premium on investments | 309 |

| | |
|----------------------------------|----------|
| Expenditure payables - | |
| Prepaid insurance | (38,077) |
| Accounts payable | 14,556 |
| Accrued annual leave payable | (6,939) |
| Deductions from ad valorem taxes | - |

| | |
|----------------------|------------------|
| Inventory (decrease) | <u>(407,904)</u> |
|----------------------|------------------|

| | |
|---|------------------|
| Excess of revenues and other financing sources over expenditures (GAAP basis) | <u>\$908,337</u> |
|---|------------------|

5. Cash, Cash Equivalents and Investments

Cash includes amounts in demand deposit accounts and an interest bearing money market account. Cash equivalents include amounts in time deposits. Under state law, the district may deposit funds in demand deposit accounts, interest bearing demand deposits, money market accounts and time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT NO. 2
Slidell, Louisiana
Notes to the Financial Statements
December 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Under state law, the district may invest in United States bonds, treasury notes or certificates.

Investments are recorded in the financial statements at either cost or amortized cost, depending on the type of investment. Amortization of investment discount totaled \$309 for the year ended December 31, 2005.

This amount was included in interest earnings because it represented interest revenue that will ultimately be realized when the particular investment matures.

6. Inventories

Inventories are valued at cost. Inventories consist of chemical, field, shop and laboratory supplies, vehicle and aviation fuel. The cost is recorded as an expenditure at the time individual inventory items are purchased. Inventories at year end are equally offset by fund balance reserves. Inventory at December 31, 2005 was determined using the FIFO method (first-in, first-out).

7. Prepaid Insurance

The district made payments of insurance premiums for coverage that will benefit a period of time after December 31, 2005. This portion of the payments made are listed as prepaid insurance on the Statement of Net Assets.

8. Capital Assets

Capital assets are recorded at either historical cost or estimated historical cost and are depreciated over their estimated useful lives (excluding salvage value). Any donated capital assets are recorded at their estimated fair value at the date of donation. Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight-line depreciation is used based on the following estimated useful lives: buildings and improvements - 40 years; machinery and equipment - 5 & 10 years; aircraft and related equipment - 10 & 15 years; office furniture and equipment - 5 years; vehicles - 5 years.

ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT NO. 2
Slidell, Louisiana
Notes to the Financial Statements
December 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The board of commissioners of the mosquito district adopted a policy to depreciate all of the district's equipment, vehicles, buildings and improvements that have a purchase price of \$1,000 and more.

9. Annual and Sick Leave

The mosquito abatement district's employees earn annual leave at varying rates according to their years of service. Upon termination from employment, employees are compensated, at their current rate of pay, for any unused or accrued annual leave. The cost of unused or accrued annual leave privileges, computed in accordance with GASB Codification Section C60, is recognized as a current-year expenditure and corresponding long-term liability in the General Fund when leave is earned.

Full-time, permanent employees are granted five days of "regular" sick leave on January 1st of each year. Three days of unused regular sick leave may be carried to the following year with a limit of ten regular sick leave days at the beginning of each year. In addition, 15 days of "extended" sick leave is granted to each employee on January 1st of each year, and is to be used only when the employee is either hospitalized or under a doctor's care for five days or more. Unused extended sick leave cannot be carried over to the following year. Upon termination from employment, employees are not paid for any unused sick leave earned during the year.

10. Long-term Obligations

The only long-term obligations were for accumulated annual leave benefits for employees.

11. Encumbrances

Encumbrance accounting is not utilized by the district due to the nature of operations and the ability of management to monitor budgeted expenditures on a timely basis.

ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT NO. 2
Slidell, Louisiana
Notes to the Financial Statements
December 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

12. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT NO. 2
Slidell, Louisiana
Notes to the Financial Statements
December 31, 2005

NOTE B - LEVIED TAXES

The mosquito abatement district was authorized to levee up to 6.70 mills in ad valorem taxes for the year. However, the district's board passed a resolution to roll back the millage to 5.55 mills, and received that amount in ad valorem taxes for the year ended December 31, 2005.

The following are the 10 largest principal taxpayers for the district:

| <u>Taxpayer</u> | <u>Type of Business</u> | <u>2005 Assessed Valuation</u> | <u>Percentage of Total Assessed Valuation</u> |
|---------------------------------------|-------------------------|--|---|
| Central Louisiana Electric Corp. | Power Company | \$33,513,250 | 3.79% |
| BellSouth | Telephone Company | 20,106,140 | 2.27 |
| Hibernia Bank | Bank | 12,559,224 | 1.42 |
| Washington-St. Tamm Electric Coop. | Power Company | 5,571,340 | .63 |
| Chase Bank | Bank | 5,135,800 | .58 |
| Mckesson Corp. | Pharmaceutical | 5,040,910 | .57 |
| Atmos Energy, LA | Gas Company | 4,995,200 | .56 |
| Parish Nat'l Bank | Bank | 4,921,300 | .56 |
| Charter Communi- cations | Communications | 4,233,960 | .48 |
| Epic Development | Developer | <u>4,073,560</u> | <u>.46</u> |
| Total | | <u>\$100,150,684</u> | <u>11.32%</u> |

The total assessed valuation for all taxpayers at December 31, 2005, was \$885,153,805. This figure was used in calculating the percentage of the "2005 assessed valuation of each of the ten largest taxpayers" to the "assessed valuation for all taxpayers."

ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT NO. 2

Slidell, Louisiana

Notes to the Financial Statements

December 31, 2005

NOTE C - CASH AND CASH EQUIVALENTS

At December 31, 2005, the carrying amounts (book balances) of all cash and cash equivalents of the district are listed as follows:

| | |
|-------------------------|------------------|
| Petty cash | \$ 75 |
| Demand deposit accounts | 66,283 |
| Money market account | 113,681 |
| Certificates of deposit | <u>95,000</u> |
| Total | <u>\$275,039</u> |

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 2005, the district had \$329,123 in deposits (collected bank balances). These deposits were secured from risk by \$100,000 of federal depository insurance and \$229,123 of pledged securities held by the custodial bank in the name of the fiscal agent bank.

Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the district that the fiscal agent has failed to pay deposited funds upon demand.

ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT NO. 2
Slidell, Louisiana
Notes to the Financial Statements
December 31, 2005

NOTE D - INVESTMENTS

At December 31, 2005, the mosquito abatement district held the following types of investments:

| <u>Type of Investment</u> | <u>Cost/ Carrying Amount</u> | <u>Market Value</u> |
|----------------------------------|--------------------------------------|---------------------------|
| Louisiana Asset Management Pool | \$1,943,744 | \$1,943,744 |
| Federal National Mortgage Assoc. | 263,901 | 251,450 |
| Federal National Mortgage Assoc. | 98,920 | 95,969 |
| Federal National Mortgage Assoc. | 100,004 | 98,531 |
| Government National Mrtg. Assoc. | 381,189 | 364,762 |
| Government National Mrtg. Assoc. | 57,329 | 37,871 |
| Federal Home Loan Mortgage Corp. | 102,435 | 101,030 |
| Federal Home Loan Mortgage Corp. | 100,004 | 99,132 |
| Federal Home Loan Mortgage Corp. | 269,996 | 270,659 |
| Federal Home Loan Bank | 203,606 | 200,126 |
| Federal Home Loan Bank | 200,000 | 197,560 |
| Federal Home Loan Bank | 99,914 | 98,730 |
| Federal Home Loan Bank | 250,000 | 248,025 |
| Federal Home Loan Bank | <u>84,504</u> | <u>83,326</u> |
| Total | <u>\$4,155,546</u> | <u>\$4,090,915</u> |

These investments, except the Louisiana Asset Management Pool (LAMP) account, are in the name of the fiscal agent bank and are held in its trust department. Because the investments are not in the name of the district and are not held by the district or its agent, the investments are considered uninsured and unregistered (GASB Category 3) in applying the credit risk of GASB Codification Section 150.164.

Louisiana Asset Management Pool (LAMP):

In accordance with GASB Codification section 150.126, the district's investment in the LAMP account, a local government investment pool, is not categorized in the three risk categories provided by GASB Codification Section 150.125 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form.

LAMP is administered by LAMP, Inc., a non-profit corporation

ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT NO. 2

Slidell, Louisiana

Notes to the Financial Statements

December 31, 2005

NOTE D - INVESTMENTS (CONTINUED)

organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets.

The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA-R.S. 33:2955. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities.

Effective August 1, 2001, LAMP's investment guidelines were amended to permit the investment in government-only money market funds. In its 2001 Regular Session, the Louisiana Legislature (Senate Bill No. 512, Act 701) enacted LSA-R.S. 33:2955(A)(1)(h) which allows all municipalities, parishes, school boards, and any other political subdivisions of the State to invest in "Investment grade (A-1/P-1) commercial paper of domestic United States corporations." Effective October 1, 2001, LAMP's Investment Guidelines were amended to allow the limited investment in A-1 or A-1+ commercial paper.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the Securities and Exchange Commission as an investment company.

ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT NO. 2
 Slidell, Louisiana
 Notes to the Financial Statements
 December 31, 2005

NOTE E - REVENUE RECEIVABLES

The following is a summary of revenue receivables as of December 31, 2005:

| | |
|------------------------------------|--------------------|
| Ad valorem taxes | \$4,901,081 |
| Less: Estimated uncollectible (7%) | <u>(343,076)</u> |
| Net ad valorem taxes | 4,558,005 |
| State revenue sharing | 193,666 |
| NASA Contract | <u>15,000</u> |
| Total | <u>\$4,766,671</u> |

NOTE F - CAPITAL ASSETS

The capital assets used in the governmental-type activities are included on the Statement of Net Assets of the district and are capitalized at historical cost. Depreciation of all exhaustible capital assets used by the district is charged as an expense against operations. Capital assets are reported net of accumulated depreciation on the Statement of Net Assets. Depreciation expense for financial reporting purposes is computed using the straight-line method over the useful lives of the capital assets and is reported in the Statement of Activities.

ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT NO. 2
Slidell, Louisiana
Notes to the Financial Statements
December 31, 2005

NOTE F - CAPITAL ASSETS (CONTINUED)

A summary of changes in capital assets and accumulated depreciation during the year is listed as follows:

| | <u>Balance</u> <u>12/31/04</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>12/31/05</u> |
|---|-----------------------------------|------------------|------------------|-----------------------------------|
| <u>Capital Assets</u> | | | | |
| Buildings and improvements | \$413,077 | - | - | \$413,077 |
| Machinery and equipment | 250,014 | \$4,470 | \$40,949 | 216,061 |
| Aircraft and related equipment | 789,814 | 1,014 | - | 791,997 |
| Office furniture and equipment | 15,707 | 10,331 | 13,863 | 12,175 |
| Vehicles | <u>606,181</u> | <u>270,988</u> | <u>407,376</u> | <u>466,098</u> |
| Total | <u>\$2,074,793</u> | <u>\$286,803</u> | <u>\$462,188</u> | <u>\$1,899,408</u> |
| <u>Less Accumulated Depreciation for -</u> | | | | |
| Buildings and improvements | \$212,347 | \$10,327 | - | \$222,674 |
| Machinery and equipment | 215,723 | 24,536 | \$25,907 | 214,352 |
| Aircraft and related equipment | 361,963 | 53,234 | - | 415,197 |
| Office furniture and equipment | 13,985 | 1,020 | 12,245 | 2,760 |
| Vehicles | <u>425,910</u> | <u>64,694</u> | <u>341,326</u> | <u>149,278</u> |
| Total | <u>\$1,229,928</u> | <u>\$153,811</u> | <u>\$379,478</u> | <u>\$1,004,261</u> |

ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT NO. 2
Slidell, Louisiana
Notes to the Financial Statements
December 31, 2005

NOTE G - PENSION PLAN

Plan Description

Substantially all employees of St. Tammany Parish Mosquito Abatement District No. 2 are members of the Parochial Employees Retirement System of Louisiana (System), a cost-sharing, multiple-employer defined pension benefit plan administered by a separate board of trustees. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the district are members of Plan A.

All permanent employees working at least 28 hours per week who are paid wholly or in part from parish funds and all elected parish officials are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 25 years of credited service, or at any age with at least 30 years of credited service are entitled to a retirement benefit, payable monthly for life, equal to 3 per cent of the member's final-average salary for each year of creditable service. However, for those employees who were members of the supplemental plan only, prior to January 1, 1980, the benefit is equal to one per cent of the final-average salary plus \$24 for each year of supplemental plan only service earned prior to January 1, 1980. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above and do not withdraw their employee contributions may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to the Parochial Employees' Retirement System, Post Office Box 14619, Baton Rouge, Louisiana 70898-4619, or by calling (504) 928-1361.

Funding Policy

Under Plan A, members of the System are required to contribute 9.50% of their annual covered salary and the district is required to make employer contributions at an

ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT NO. 2
Slidell, Louisiana
Notes to the Financial Statements
December 31, 2005

NOTE G - PENSION PLAN (CONTINUED)

actuarially determined rate. The employer's contribution rate for the year ended December 31, 2005 is 12.75% of annual covered payroll. Contributions to the System also include one-fourth of one percent of the taxes shown to be collectible by the tax rolls of each parish, except Orleans and East Baton Rouge Parishes. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the district are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year.

The district's employer contributions to the System under Plan A for the years ended December 31, 2005, 2004 and 2003, were \$112,384, \$101,702 and \$60,840, respectively, and these amounts equaled the required contributions for each year.

NOTE H - ACCRUED ANNUAL LEAVE

At December 31, 2005, employees of the mosquito district have accumulated and vested amounts of employee leave benefits, which are computed in accordance with GASB Codification Section C60. This amount is recorded in the Statement of Net Assets as a noncurrent liability.

The following is a summary of accrued annual leave during the year:

| | |
|------------------------------|-----------------|
| Balance at December 31, 2004 | \$25,201 |
| Additions | 60,760 |
| Deductions | <u>(53,821)</u> |
| Balance at December 31, 2005 | <u>\$32,140</u> |

ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT NO. 2
Slidell, Louisiana
Notes to the Financial Statements
December 31, 2005

NOTE I - LEASES

On September 1, 1979, the mosquito abatement district entered into a ten-year operating lease with the City of Slidell for the land on which its facility is located. The lease provides for an annual rental of \$1 per year with renewal options for additional ten-year periods until terminated by the lessor. The lease was renewed in 1999 for an additional ten years.

On March 29, 1996, the mosquito abatement district entered into a ten-year operating lease with the City of Slidell for the land on which its airplane hangar is located. On December 2, 1997, the district amended the original lease to extend the term to an additional 10 years, which will expire on March 29, 2016. The lease provides for an annual rental of \$2,600, which the district paid.

There are no other operating or capital leases at December 31, 2005.

NOTE J - JOINT AGREEMENTS

In 1978, the mosquito abatement district entered into a joint agreement for mosquito control with the National Aeronautics Space Administration (NASA), National Space Technology Laboratories (NSTL). Under the terms of the agreement, which is renewed annually, NASA/NSTL provides funding to the district for chemicals and insecticides in the amount of \$20,000 to conduct a fogging and misting mosquito control program.

Also, effective October 1, 1998, the district entered into a joint agreement with an agency of the United States government for the use of storage space at the airplane hangar that the district leases from the City of Slidell. In lieu of rent, the district received \$2,400 to cover the cost of utilities for the year.

NOTE K - LITIGATION AND CLAIMS

The district is not a defendant in any lawsuits which would require it to record a liability on its financial statements as of December 31, 2005.

ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT NO. 2
Slidell, Louisiana
Notes to the Financial Statements
December 31, 2005

NOTE L - GROUP INSURANCE BENEFITS

The district provides certain continuing group health, dental and life insurance benefits for its full-time employees. It pays 100% of the health insurance premiums for its employees and their spouses and dependents. The district also pays one half of the cost of its employees dental and life insurance premiums. The district's portion of the cost is recognized as an expenditure when paid. The district's total cost of providing these benefits for its eligible employees for the year was \$129,519.

NOTE M - HURRICANE KATRINA DAMAGES AND INSURANCE PAYMENTS

On August 29, 2005, Hurricane Katrina landed in southern Louisiana and caused massive and historic flooding and damage to this region. The mosquito district's property, building, other structures, vehicles and equipment sustained heavy damage as a result of flooding and windstorms.

Total funds received from the Federal Emergency Management Agency (FEMA) in the year under audit (2005) were \$33,537. Total funds received from FEMA during the period January 1, 2006 to March 31, 2006, were \$441,818.

Total funds received from the district's private insurance carriers totaled \$174,681 during the year under audit (2005). Total funds received from private insurance carriers during the period January 1, 2006 to March 31, 2006, were \$744,337.

REQUIRED SUPPLEMENTARY INFORMATION (RSI)

ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT NO. 2
Slidell, Louisiana
Required Supplementary Information
Budgetary Comparison Schedule
Statement of Receipts, Disbursements and Changes in
Cash Balance - Budget (Cash Basis) and Actual
General Fund - Governmental Fund
For the Year Ended December 31, 2005

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance</u> |
|-------------------------|-------------------------|------------------|------------------|-------------------|
| | <u>Original</u> | <u>Final</u> | <u>Amounts</u> | <u>with Final</u> |
| | | | | <u>Budget</u> |
| | | | | <u>Positive</u> |
| | | | | <u>(Negative)</u> |
| RECEIPTS | | | | |
| Ad valorem taxes | | | | |
| (net) | \$4,513,926 | \$4,513,926 | \$4,516,762 | \$2,836 |
| State revenue | | | | |
| sharing | 195,000 | 195,000 | 131,020 | (63,980) |
| Interest earnings | 100,000 | 100,000 | 184,813 | 84,813 |
| CDC Flyway Project | 25,000 | 20,000 | 9,805 | (15,195) |
| Other revenue | <u>10,000</u> | <u>10,000</u> | <u>257,885</u> | <u>247,885</u> |
| Total Receipts | <u>4,843,926</u> | <u>4,843,926</u> | <u>5,100,285</u> | <u>256,359</u> |
| DISBURSEMENTS | | | | |
| Salaries and related | | | | |
| expends. | 1,148,583 | 1,148,583 | 1,066,133 | 82,450 |
| Employer's retiremt. | | | | |
| contri. | 147,490 | 147,490 | 136,873 | 10,617 |
| Other employee benef. | 151,450 | 151,450 | 133,416 | 18,034 |
| Office supplies | 20,915 | 20,915 | 19,673 | 1,242 |
| Insurance | 453,850 | 453,850 | 415,515 | 38,335 |
| Utilities and telephone | 23,000 | 23,000 | 17,539 | 5,461 |
| Travel | 25,000 | 25,000 | 22,554 | 2,446 |
| Professional services | 57,575 | 57,575 | 53,309 | 4,266 |
| Public information | 7,700 | 7,700 | 5,841 | 1,859 |
| Materials and supplies: | | | | |
| Chemicals | 1,955,575 | 1,955,575 | 1,258,198 | 697,377 |
| Field and laboratory | 21,060 | 21,060 | 20,787 | 273 |
| Aerial operations | 20,600 | 20,600 | 39,925 | (19,325) |
| Gas, oil and grease | 102,350 | 102,350 | 120,785 | (18,435) |

(Continued)

The accompanying notes are an integral part of this statement.

ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT NO. 2

Slidell, Louisiana

Required Supplementary Information

Budgetary Comparison Schedule

Statement of Receipts, Disbursements and Changes in

Cash Balance - Budget (Cash Basis) and Actual

General Fund - Governmental Fund

(Continued)

For the Year Ended December 31, 2005

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance</u> |
|-------------------------|-------------------------|--------------------|--------------------|-------------------|
| | <u>Original</u> | <u>Final</u> | <u>Amounts</u> | <u>with Final</u> |
| | | | | <u>Budget</u> |
| | | | | <u>Positive</u> |
| | | | | <u>(Negative)</u> |
| DISBURSEMENTS | | | | |
| Repairs and maint. | \$ 127,115 | \$ 127,115 | \$146,200 | \$(19,085) |
| Capital outlay-equipmt. | | | | |
| purchases & building | | | | |
| improvements | <u>173,390</u> | <u>173,390</u> | <u>441,398</u> | <u>(268,008)</u> |
| Total Disbursements | <u>4,435,653</u> | <u>4,435,653</u> | <u>3,898,146</u> | <u>537,507</u> |
| Excess of Receipts | | | | |
| over Disbursements | 408,273 | 408,273 | 1,202,139 | 793,866 |
| Cash, Cash Equivalents | | | | |
| and Investments | | | | |
| Balances at | | | | |
| Beginning of Year | <u>3,594,808</u> | <u>3,594,808</u> | <u>3,228,446</u> | <u>(366,362)</u> |
| Cash, Cash Equivalents | | | | |
| and Investments | | | | |
| Balances at End of | | | | |
| Year | <u>\$4,003,081</u> | <u>\$4,003,081</u> | <u>\$4,430,585</u> | <u>\$427,504</u> |

The accompanying notes are an integral part of this statement.

SUPPLEMENTARY INFORMATION SCHEDULES

ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT NO. 2
Slidell, Louisiana
Supplementary Information Schedule
Summary Schedule of Prior Year Audit Findings and
Corrective Action Plan for Current Year Audit Findings
For the Year Ended December 31, 2005

I have audited the accompanying basic financial statements of the St. Tammany Parish Mosquito Abatement District No. 2, a component unit of the St. Tammany Parish Council, as of and for the year ended December 31, 2005, and have issued my report thereon dated April 21, 2006. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. My audit of the financial statements as of December 31, 2005 resulted in an unqualified opinion.

Section I - Summary of Auditor's Report and Findings

There was one material weakness in internal control that was a reportable condition which required disclosure in the current and prior year audit reports. It was the same finding for both years (Finding No. 1).

There were no other findings required to be reported and no management letter was issued for the current year.

The St. Tammany Parish Mosquito Abatement District No. 2 did not receive any federal funds during the twelve months ended on December 31, 2005.

ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT NO. 2
Slidell, Louisiana
Supplementary Information Schedule (Continued)
Summary Schedule of Prior Year Audit Findings and
Corrective Action Plan for Current Year Audit Findings
For the Year Ended December 31, 2005

Section II - Financial Statement Finding

Finding No. 1

Fiscal Year Finding Initially Occurred: Has existed since inception.

Finding Described: The size of the board's operations and its limited staff preclude an adequate segregation of duties and other features of an adequate system of internal accounting control.

Corrective Action and Additional Explanation: Management is aware of this inadequacy in the internal control structure, however, it feels that to employ such controls would not be cost beneficial. No action will need to be taken.

Contact Person:

Mr. Charles Palmisano, Director
of the St. Tammany Parish Mosquito
Abatement District No. 2
Slidell, Louisiana
985-643-5050

Anticipated Completion Date: Not applicable.

OTHER REQUIRED REPORTS

KEITH J. ROVIRA
CERTIFIED PUBLIC ACCOUNTANT
3331 METAIRIE ROAD
METAIRIE, LA 70001-5297

(504) 831-4040

Fax (504) 831-4042

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Board of Commissioners of the
St. Tammany Parish Mosquito Abatement District No. 2
A Component Unit of the St. Tammany Parish Council
Slidell, Louisiana

I have audited the basic financial statements of the St. Tammany Parish Mosquito Abatement District No. 2, a component unit of the St. Tammany Parish Council, as of and for the year ended December 31, 2005, and have issued my report thereon dated April 21, 2006. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

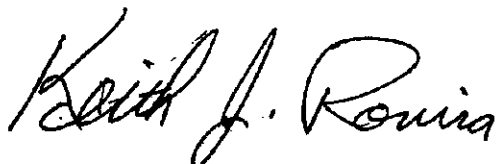
As a part of obtaining reasonable assurance about whether the St. Tammany Parish Mosquito Abatement District No. 2's basic financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the St. Tammany Parish Mosquito Abatement District No. 2's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. However, I noted a matter involving the internal control over financial reporting and its operations that I consider to be reportable condition. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgement, could adversely affect the board's ability to record, process, summarize and report financial data consistent with the assertions of management in the basic financial statements. This reportable condition is described in the accompanying Schedule of Audit Findings in the Supplementary Information section of this audit report and is referenced as Finding No. 1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I considered the reportable condition described above to be a material weakness.

This report is intended solely for the use of management and the State of Louisiana Legislative Auditor and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report which, upon acceptance by the State of Louisiana Legislative Auditor, is a matter of public record.



Keith J. Rovira
Certified Public Accountant

April 21, 2006